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GENERAL MORTGAGE
CORPORATION OF CANADA

1971 annual report



GENERAL MORTGAGE CORPORATION OF CANADA

DIRECTORS' REPORT TO SHAREHOLDERS

Interest rates continued to decline during 1971 in response to a hesitation in the overall pace of economic activity and a persistence in the high level of unemployment. Mortgage rates declined by about 1% during the year as funds became more available. Looking ahead, however, it is likely that the continuing underlying demand for housing and related property development will result in expanded construction activity and the increasing demand for mortgage funds, with the result that mortgage rates may turn upward again by the third quarter of this year.

The year was a significant one for General Mortgage. During the period plans were developed for the Company's new policy of expansion and a good beginning was made in this direction. The result was that after several years of gradually declining assets the Company experienced a turn around which saw an increase in assets during the year of 46%.

Early in 1971 the Company established a programme to market its bonds through a group of investment dealers. Three underwritings of Series B Bonds were issued — one in March for \$1,000,000, one in June for \$1,500,000 and another in November for \$1,500,000, bringing the total bond financing completed during the year to \$4,000,000. The proceeds of these issues were used to reduce bank indebtedness and expand the Company's conventional mortgage portfolio. In Mortgage Fund B bank loans were paid off in their entirety (\$1,059,000) and mortgage holdings were increased by \$3,000,000 including \$1,000,000 in funds committed, but not yet disbursed at the year end.

In Mortgage Fund A the N.H.A. mortgages decreased by \$246,000 and the proceeds were used to reduce bank indebtedness. In the General Fund conventional mortgages declined by \$283,000 and investment in preferred shares increased by \$380,000.

Due to the Company's expanded operations all types of income were higher. Total income was \$676,000 compared to \$549,000 in 1970. Similarly expenses were higher in each category with total expenses amounting to \$564,000 compared to \$464,000.

Operating income, probably the most significant indicator of the results of the Company, was \$112,000, up 31%, before changes in mortgage and investment reserves and income tax. Net income amounted to \$83,000 or 73¢ per share, an increase of 17%. The reason for this difference is that in 1970 \$30,000 was released from mortgage reserves into income whereas in 1971 no such release occurred. Mortgage reserves were maintained at \$50,000.

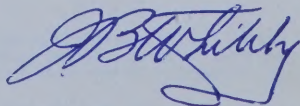
During the year the Company moved into new offices at the same address in Toronto. This was necessary in order to accommodate a modest expansion in staff.

In August Mr. Frank Covert resigned as a Director and Chairman of the Board. Mr. Covert was Chairman since 1967 and made an important contribution to the affairs of the Company. We want to express our appreciation for this contribution and his efforts in helping guide the Company through these years. In October Mr. William Teron joined the Board of Directors and we look forward to his contribution in the period ahead.

We are pleased with the results for 1971 and are confident that the year ahead will see a continuation in the expansion of the Company's assets and earnings.

We wish to extend to management and employees our sincere appreciation for their efforts and support throughout the year.

ON BEHALF OF THE BOARD

A handwritten signature in dark ink, appearing to read "J. B. Lundy", written in a cursive style.

President

January 25, 1972.

BALANCE SHEET — DECEMBER 31, 1971

(with comparative figures at December 31, 1970)

ASSETS

	1971	1970
General Fund		
Cash	\$ 19,408	\$ 110,374
Bank deposit receipt		40,000
Investment in preferred stocks, at cost (quoted market value 1971, \$646,284; 1970, \$262,134) (note 1)	698,658	318,656
Mortgages receivable, less reserve	814,582	1,097,404
Office equipment and leasehold improvements, at cost less accumu- lated depreciation of \$11,957 (1970, \$9,867)	23,895	2,683
Unamortized financing expenses (note 3)	100,714	4,402
Income taxes recoverable	12,052	
Prepaid expenses	728	5,444
	<u>1,670,037</u>	<u>1,578,963</u>
Mortgage Fund A		
Cash	20	4,113
Mortgages receivable, issued under the National Housing Act	1,796,605	2,042,878
	<u>1,796,625</u>	<u>2,046,991</u>
Mortgage Fund B		
Cash	34,617	8,077
Bank deposit receipts (note 2)	1,200,000	
Mortgages receivable, less reserve	4,331,337	2,558,313
	<u>5,565,954</u>	<u>2,566,390</u>
	<u>\$9,032,616</u>	<u>\$6,192,344</u>

We hereby certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the corporation's affairs.

JACK B. WHITELEY, President	} Directors.
LEONARD HENDERSON, Vice-President — Secretary	
MATTHEW GAASENBEEK, Treasurer	

GENERAL MORTGAGE CORPORATION OF CANADA

(Incorporated by Special Act of Parliament under the laws of Canada)

LIABILITIES

General Fund

	1971	1970
Liabilities		
Accounts payable and accrued liabilities	\$ 6,702	\$ 5,842
Income and other taxes payable		3,796
	<u>6,702</u>	<u>9,638</u>
Deferred income taxes	33,453	22,755
Capital stock		
Authorized		
803,200 shares, par value \$10 per share		
Issued		
113,360 shares	1,133,600	1,133,600
Reserve fund	100,000	100,000
Unappropriated profits	396,282	312,970
	<u>1,629,882</u>	<u>1,546,570</u>
	<u>1,670,037</u>	<u>1,578,963</u>

Mortgage Fund A

Bank loans, secured by Series A bonds, payable on demand	1,785,500	2,033,000
Accrued interest	11,125	13,991
	<u>1,796,625</u>	<u>2,046,991</u>

Mortgage Fund B

Bank loans, secured by Series B bonds, payable on demand		1,058,500
Series B bonds (note 3)	5,490,250	1,476,350
Accrued interest and expenses	75,704	31,540
	<u>5,565,954</u>	<u>2,566,390</u>
	<u>\$9,032,616</u>	<u>\$6,192,344</u>

AUDITORS' REPORT

To the Shareholders of
General Mortgage Corporation of Canada

We have examined the balance sheet of General Mortgage Corporation of Canada as at December 31, 1971 and the statements of income and unappropriated profits for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the corporation, these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
January 11, 1972.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1971
(with comparative figures for 1970)

	1971	1970
Revenue		
Interest earned on mortgages and bank deposit receipts	\$586,065	\$518,113
Service fees earned	55,000	14,898
Dividend income	35,153	16,220
	<u>676,218</u>	<u>549,231</u>
Expenses		
Bank and bond interest	423,520	383,751
Amortization of financing expenses (note 3)	12,340	2,530
Salaries, pension fund payments and other staff benefits	51,609	33,932
All other operating expenses including depreciation of \$2,090 (\$671 in 1970)	76,439	43,530
	<u>563,908</u>	<u>463,743</u>
	112,310	85,488
Release of portion of mortgage investment reserves		30,000
Income before income taxes	<u>112,310</u>	<u>115,488</u>
Income taxes		
Current	18,300	34,000
Deferred	10,698	10,160
	<u>28,998</u>	<u>44,160</u>
Net income for the year	<u>\$ 83,312</u>	<u>\$ 71,328</u>
Net income per share	<u>\$.73</u>	<u>\$.63</u>

STATEMENT OF UNAPPROPRIATED PROFITS

YEAR ENDED DECEMBER 31, 1971
(with comparative figures for 1970)

	1971	1970
Unappropriated profits at beginning of year	\$312,970	\$241,642
Net income for the year	83,312	71,328
Unappropriated profits at end of year	<u>\$396,282</u>	<u>\$312,970</u>

GENERAL MORTGAGE CORPORATION OF CANADA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1971

1. INVESTMENT IN PREFERRED STOCKS

No provision for decline in value of the investment in preferred stocks has been made. The company considers that this decline is temporary and that no provision is necessary as it is not the company's intention to currently dispose of these securities.

2. BANK DEPOSIT RECEIPTS FUND B

Of the \$1,200,000 invested in bank deposit receipts in Fund B, \$1,060,000 has been committed for investment in mortgages.

3. SERIES B BONDS, MORTGAGE FUND B

Bonds mature as follows:

	1971	1970
1971		\$ 60,100
1972	\$ 256,000	256,000
1973	1,053,500	1,057,500
1974	61,000	23,500
1975	79,250	79,250
1976	4,040,500	
	<u>\$5,490,250</u>	<u>\$1,476,350</u>

Financing expenses are being amortized on a monthly basis over the term of the bonds.

